

# American Federation of Labor and Congress of Industrial Organizations



816 Sixteenth Street, N.W.  
Washington, D.C. 20005  
(202) 637-5000  
www.aflcio.org

2005 AUG 18 AM 1:44

JOHN J. SWEENEY  
PRESIDENT

Gerald W. McEntee  
Patricia Friend  
Robert A. Scardelletti  
Michael J. Sullivan  
Joseph J. Hunt  
Edward C. Sullivan  
Edward J. McElroy Jr.  
Baxter M. Atkinson  
Vincent Glinn  
Larry Cohen  
Thomas C. Short

## EXECUTIVE COUNCIL

RICHARD L. TRUMKA  
SECRETARY-TREASURER

Gene Upshaw  
Michael Goodwin  
John M. Bowers  
Capt. Duane Woerth  
Cheryl Johnson, R.N.  
William Burrus  
Ron Gohellinger  
John Gage  
William Hite  
Warren George  
Robbie Sparks

LINDA CHAVEZ-THOMPSON  
EXECUTIVE VICE PRESIDENT

Michael Sacco  
William Lucy  
R. Thomas Bultman  
Harold Schallberger  
Clyde Rivers  
Leo W. Gerard  
James Williams  
William H. Young  
Michael T. O'Brien  
Gregory J. Junemann  
Nancy Wohlforth

Frank Hurt  
Leon Lynch  
Elizabeth Bunn  
Edwin D. Hill  
Cecil Roberts  
Melissa Gliben  
John J. Flynn  
Nat LaCour  
Andrea E. Brooks  
Laura Alce

August 17, 2005

23

Mr. John F. Carter, Regional Director  
Federal Deposit Insurance Corporation  
Suite 2300  
25 South Jessie Street at Ecker Square  
San Francisco, California 94105

Dear Mr. Carter:

I am writing to strongly urge the Federal Deposit Insurance Corporation (FDIC) to reject Wal-Mart's recent application to open a Utah Industrial Bank called "Wal-Mart Bank." Wal-Mart has a long history of unethical, and often illegal, practices that affect employees, shareholders and customers alike. The company currently faces a class action lawsuit alleging massive gender discrimination, an ongoing U.S. federal grand jury investigation of former Wal-Mart vice chairman Thomas Coughlin for mispending corporate funds, as well as numerous other employment-related lawsuits. Wal-Mart also has a history of child labor and other wage and hour violations. These indications of systematic corporate abuses cast grave doubt on Wal-Mart's ability to abide by the rules applicable to banking operations.

A Wal-Mart-owned bank will create increased risk to the federal deposit insurance system. Industrial banks are insured by the FDIC and can offer most of the services of traditional banks, including consumer and commercial loans. If a Wal-Mart-owned bank chose to offer these services, it would have an economic incentive to offer loans to its suppliers and customers, regardless of their creditworthiness, in order to bolster the company's retail operations. Not only would this create a serious conflict of interest, but it would also pose an increased risk of bank failure and corresponding burden on the FDIC. These risks are compounded by the fact that industrial banks are not subject to regulation by the Federal Reserve and Wal-Mart's own internal compliance breakdowns.

Wal-Mart's attempts to enter the banking industry have been repeatedly rejected in the past. Twice, on the grounds that it would violate banking and retail regulations and illegally combine commerce and banking, the federal Office of Thrift Supervision denied Wal-Mart's efforts to acquire a savings and loan company and to partner with a bank. In California, Wal-

Letter to John F. Carter  
August 17, 2005  
Page Two

Mart was thwarted from buying a small industrial loan corporation, and the California Legislature even enacted legislation preventing such purchases.

As the world's largest retailer, Wal-Mart could easily become one of the largest banks in the U.S., intensifying concerns regarding the mixing of banking and commerce. The company has claimed that its proposed Utah bank would merely process electronic payment transactions and offer certificates of deposit. However, Wal-Mart's history of rapid growth leads me to believe that it would similarly strive to expand its financial offerings to as many as 22 other states. Wal-Mart already leases space to several banks in about 1,000 U.S. stores.

Wal-Mart's record of noncompliance with a wide range of standards and regulations raises serious questions about its ability to follow the regulations of the Community Reinvestment Act. Furthermore, industrial banks are not subject to the stricter regulations of bank holding companies. For all of these reasons, I ask you to deny Wal-Mart's industrial bank application.

Sincerely,

  
John J. Sweeney  
President

JJS/mc  
opeiu #2, afl-cio